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United States Virgin Islands

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I. Background information

1. The Territory of the United States Virgin Islands[1] is located in the eastern part of the Caribbean Sea, approximately 1,000 miles south-east of Miami and 45 miles east of Puerto Rico. The Territory is made up of three main islands (St. Croix, St. John and St. Thomas) and one small island (Water Island) recently transferred to the jurisdiction of the territorial Government. The capital, Charlotte Amalie, is located on St. Thomas.

2. Visited by Christopher Columbus in 1493 (along with what are now the British Virgin Islands), the islands were Danish territory from 1754 to 1917 when they were purchased by the United States of America. They were administered by the United States Navy until 1931, after which they came under the administration of the United States Department of the Interior.[2]

3. According to the United States Census Bureau, the population in 1999 was estimated at 119,615.[3] The growth rates in St. Thomas and St. John were approximately 15 per cent each during the period 1990-1997, whereas the population of St. Croix grew by only 3 per cent in the same period.

4. Immigration into the Territory has declined over the past several decades. Native Virgin Islanders were a minority in the 1980 and 1990 censuses, but were a majority again by 1995, as children of the immigrant population raised the number of native-born. The percentage of residents born outside the United States decreased from 37.7 per cent in 1980 to 33.9 per cent in 1995. Foreign immigrants were mostly from the Eastern Caribbean and the Dominican Republic, while domestic migrants came from Puerto Rico and the mainland United States.

II. Constitutional, legal and political

A. General

5. The United States Virgin Islands constitute an organized, unincorporated Territory of the United States. Following the adoption of the Organic Act of the Virgin Islands (1936) and its revision in 1954, the Territory was granted a measure of self-government over local affairs. Executive power is vested in a popularly elected Governor, who appoints, with the advice and consent of the Legislature, the heads of the executive departments.

6. Since the Organic Act of the Virgin Islands was revised in 1954, there have been five attempts to draft a local constitution to organize the internal mechanisms of government. None of the five attempts was successful. Regarding the Territory's political status, the first and only referendum on a range of political options was conducted in 1993. However, only 27 per cent of the electorate voted and of those 80.3 per cent voted to retain the current status. The result was considered invalid since less than 50 per cent of the electorate had voted. In 2000, legislation was introduced in the territorial Senate to create the mechanisms for the establishment of a constitutional convention. The draft constitution emerging from the convention would have to be submitted to the Territory's electorate in a referendum and, subsequently, to the United States Congress, which has the power to amend, approve or reject it. Thus far, however, no further action has been taken for the holding of a constitutional convention. In this connection, in May 2000, the legislative process began in the House Resources Committee in Washington, D.C., for the passage of a proposed bill (H.R. 3999) to clarify the process for the United States Virgin Islands and Guam to adopt a local constitution. The bill would have extended the time span that Congress has to review any draft constitution submitted by these Territories from 60 days to an open-ended period and would also have confirmed that the completion of a local constitution by the territorial electorate would not preclude their right to self-determination and the modification of the present political status arrangements. However, the House Committee of the Whole never acted on the bill and, as per congressional rules, it expired.[4]

7. The judicial system includes two courts: the United States Federal District Court of the Virgin Islands, whose judges are appointed by the President of the United States with the advice and consent of its Senate; and the United States Territorial Court of the Virgin Islands, whose nine judges are appointed by the Governor. The Federal District Court has jurisdiction in civil, criminal and federal actions.

8. The Legislature, a unicameral body currently comprising 15 senators, is elected for a two-year term by a popular vote (see para. 9 below on legislative steps to change the number of senators). The

Legislature has the power to enact laws such that they are consistent with federal laws made applicable to the Territory by the United States Congress and do not impair rights guaranteed by treaties, international agreements, or rights contained in the Organic Act's Bill of Rights. Under the latter are enumerated, inter alia, rights of due process and equal protection, and freedoms of speech, assembly and religion. The Legislature may also issue bonds, levy customs duties (up to 6 per cent) and oversee executive departments. Legislation is subject to approval by the Governor, whose veto can be overridden by two thirds of the Legislature. The United States Congress retains the right to annul any act of the local legislature. The United States Virgin Islands is represented in the United States Congress by a popularly elected delegate who may vote in the committees in which he or she is a member, but not in floor votes.

9. Regarding the number of local senators, the twenty-second Virgin Islands Legislature passed a resolution to petition the United States Congress to reduce its size. Following this, Delegate Donna Christian-Christensen introduced draft bill H.R. 2296 into Congress. Passed by Congress on 12 September 2000 and signed by the President on 4 December, the bill amended the Revised Organic Act of 1954 to provide that the number of members of the island's Legislature and the number of such members constituting a quorum are to be determined by the laws of the United States Virgin Islands. In support of the bill, the delegate stated that it gave her constituents a greater degree of self-government by allowing them and not Congress to determine the size of the local Legislature. She added that the Territory continued to struggle with a severe fiscal crisis and that H.R. 2296 was seen by some islanders as a means of saving scarce funds by reducing the size of the Legislature. She concluded that she had drafted the bill to cede the authority to restructure the Legislature to the Virgin Islands, rather than have Congress prescribe a specific number of local senators because, in her estimation, all alternatives that could produce more accountability and reduce budgets ought to be considered, not just the reduction in numbers.[5] The question was also put to the islanders in a referendum held together with the general elections on 7 November 2000. An overwhelming majority of voters (14,949 against 2,120) requested that the Legislature be downsized, with 12,589 of the "yes" vote wanting the number of senators reduced from 15 to 9.[6] According to media reports, discussion of the matter by the twenty-fourth Legislature has been delayed, reportedly because of the heavy workload of the Senate Legal Counsel.[7]

B. Recent elections and political issues

10. In January 1999, the governorship of the Territory changed hands, from Roy L. Schneider to Charles W. Turnbull, following elections in November 1998. Mr. Turnbull won the election with 58 per cent of the vote against the incumbent, Mr. Schneider, who obtained 40.9 per cent.

11. The most recent elections were held on 7 November 2000, when voters went to the polls to elect a Delegate to Congress and the 15 senators to the twenty-fourth Legislature. Donna Christian-Christensen was re-elected Delegate to Congress. The Legislature is made up of seven Democrats, two members of the Independent Citizens Movement and six non-party affiliate members.[8]

12. During the annual State of the Territory address in January 2001,[9] Governor Turnbull recalled the Territory's precarious fiscal condition when he had taken office in 1999 but was pleased to report that the state of the Territory was improving. According to the Governor, significant progress had been made on the path to economic recovery, crime was down, tourism was up and the Government had made great strides in getting its fiscal house in order. Also in January, the incoming President of the Senate listed education, economic development, government and legislative reform and health care as the key issues on which the new Legislature would focus.[10] Regarding the Territory's relationship with the federal Government, Ms. Christian-Christensen met with President George W. Bush and Vice-President Richard Cheney in February 2001 as part of the Congressional Black Caucus and stressed the Territory's economic issues, including lifting the cap on Medicaid, permanently lifting the cap on rum revenues, aid for education and addressing the potential for reduced revenues to the Territories in the light of proposed tax cuts.[11]

III. Budget

13. According to press reports, in January 1999, the incoming Governor said that the territorial Government bore a long-term debt of approximately $1 billion in

addition to other obligations, including $66 million in outstanding vendor payments, $24 million in delayed tax refunds and $90 million owed to other funds and for unpaid debts of previous years. Four months later, the Governor announced that the treasury was $5 million short of the amount needed to pay government salaries, and that, for the first time in the Territory's history, public salaries would not be paid as scheduled. Following meetings held in Washington, D.C., with the Secretary of the Interior, in August 1999, the Governor appointed an economic recovery task force, composed of representatives of the territorial Government, legislative and judiciary. The head of the Task Force reported in January 2000 that the public debt in the Territory had reached an "unimaginable" US$ 1.12 billion with the past six years, showing a government deficit. The report added that without measures to reduce expenditure and increase revenue, the deficit would reach a figure between $80 million and $100 million annually by 2004. The report proposed measures that would produce a budget surplus of $212 million in the next five years.

14. In fiscal year 1999, the United States' legislative appropriation for the United States Virgin Islands was $489.2 million. In 2000 it received special extra funding of $5.4 million to address critical federally ordered or mandated infrastructure needs. This money was also made contingent upon the Territory establishing financial and accountability performance standards included in a memorandum of understanding signed by the Governor and the Secretary of the Interior in October 1999. As a further incentive to implement these standards, the proposed 2001 budget included an advance appropriation of $10 million to continue addressing critical infrastructure needs. The funds, however, would not be available until fiscal year 2002 and only upon certification by the Department of the Interior that performance standards had been complied with. The budget request also included an increase of $1 million in the technical assistance programme of the Office of Insular Affairs to assist the territorial Government to carry out broad fiscal reforms.

15. The fiscal Year 2001 budget of $429,640,877, presented in June 2000, proposed to return the Territory to fiscal well being by increasing revenue sources and decreasing expenditures.[12] In his State of the Territory address in January 2001, the Governor reported that the first phase of the five-year economic recovery plan was allowing the Territory "to step back from the brink" of budgetary crisis. The plan is based on three fronts: the reorganization and consolidation of essential government services, the imposition of stringent cost and spending controls and the development of new sources of revenue, both from the Territory and from Washington, D.C. According to the Governor, the reorganization effort has been applied to the Departments of Planning and Natural Resources and Human Services and will subsequently be applied to the Departments of Labor and Education, to three housing agencies and the economic development agencies. The resultant savings are estimated to be over $15 million.

16. Regarding spending controls and fiscal restraint, the Governor reported having implemented a strict hiring freeze and reducing the size of Government through attrition and voluntary retirements, thus reducing payroll costs in the past fiscal year by over $33 million. Other measures included the reduction of overtime payments, the downsizing of excessive telephone lines, the establishment of a standardized vehicle fleet and gasoline coupon system for official travel and new control systems to curtail spending and force government agencies to live within their appropriations.

17. Lastly, the Governor stressed efforts to find new sources of revenue and eliminate debt. As a result of lobbying in Congress for a new rum tax formula, the Territory would receive $75 million in rum taxes during 2001, and efforts were being made to extend that formula into 2002. Progress had also been made to restructure and cancel over $200 million in debt to the federal Government. So far debt-servicing payments to the Federal Emergency Management Agency had been suspended, saving the Territory some $29 million since 1999. Congress had approved making the hurricane Hugo debt of $45 million eligible for relief and similar strategies were being used with respect to the hurricane Marilyn loan of $145 million due later in the year. Proposals had also been made to share the cost of the Earned Income Tax Credit programme, which supplements the income of the working poor, with the federal Government saving the Territory as much as $10 million in annual revenue outlays. In addition, the Government reported having greatly improved its collection of local taxes, including revenue on property, vehicles, and firearms and payments to the

Coastal Zone Management and the Health Revolving Fund.

IV. Economy

A. General

18. According to the administering Power, the per capita income is around $12,000, which represents approximately 80 per cent of per capita income in the mainland United States. Approximately 30 per cent of the population lives below the poverty line.

19. With the reduction in the size of its public sector, the Government is intensifying efforts to promote new private sector investment in the Territory. In February 2001, legislation was passed to consolidate a number of smaller development bodies into the new Economic Development Commission, a semi-autonomous authority aimed at encouraging the expansion of established businesses, luring new operations to the Territory and improving accountability.

20. Regarding trade, the United States Virgin Islands is exempt from the Jones Act, which requires that freight moving between United States ports be carried by United States-flagged ships. The Territory benefits from other favourable trade concessions as part of its relationship with the administering Power. Nonetheless, the Territory generally runs at a trade deficit, owing to its heavy reliance on imported goods, most of which come from the mainland United States. In 1995, the Territory's imports were valued at $3,300 million, and exports at $3,036 million, according to publicly available Department of Interior figures. Furthermore, there are indications that trade has been affected by recent policies undertaken by the administering Power. According to press reports, local businessmen say that tariff concessions made as a result of signing the North American Free Trade Agreement and joining the World Trade Organization have erased the price advantage the Territory used to have as a free port. The Territory would be further affected by any future broadening of the North American Free Trade Agreement into a free trade area of the Americas.

B. Economic sectors

1. Agriculture, livestock and fisheries

21. Agriculture has played a small part in the Territory's economy since the decline of sugar production in the 1960s. In the 1990 census, only 1.2 per cent of the economically active population was engaged in agriculture or fishing. As a result, the Territory imports about 90 per cent of its food, at a cost of between $200 million and $300 million per year. Development of agriculture is hindered by high production costs and water scarcity. However, incentives to promote agriculture do exist. In particular, farm land is tax exempt, farm income is taxed at a lower rate than other income and imported farm equipment is 50 per cent exempt from excise taxes. In addition, a number of local and federal programmes provide assistance for agricultural development. Under an agreement with the United States Department of Agriculture, a Rural Development Loan Fund provides direct loans up to $99,500. The Small Business Development Agency provides direct loans of up to $10,000 for licensed farmers and fishermen. The Farmers Home Administration guarantees up to 90 per cent of bank loans for land, equipment, buildings and operating expenses.

22. In February 2001, the Senate held marine industry hearings in an attempt to revive the Territory's declining fisheries. Among the key issues discussed were the need to rebuild the Frederiksted Fisherman's Pier, which was wrecked by hurricane Georges in 1998, and the importance of helping local fishermen compete with their neighbours from the British Virgin Islands. In this respect, lawmakers from the Territory initiated talks with the authorities of the British Virgin Islands to review that Territory's 1999 fishing regulations, which suspended all licences to foreign vessels operating in their waters.[13]

2. Manufacturing and industry

23. Manufacturing incentives are provided by a trade regime that confers unique advantages on the United States Virgin Islands. Items assembled in the Territory can be exported duty free into the United States, even if up to 70 per cent of its value consists of foreign dutiable components. Other incentives include 90 per cent exemption from local corporate income taxes for 10 to 15 years for new manufacturers. Goods

manufactured for export include watches, textiles, electronics, pharmaceuticals and rum, which is responsible for 15 per cent of the Territory's export revenue.

24. Employment in manufacturing fell to 2,210 in 1997, owing primarily to the closure of two of the seven watch assembly plants in the Territory. In 2000, the United States Congress approved legislation sponsored by the United States Virgin Islands Delegate to extend federal wage credits, originally designed for the Territory's watch industry, to manufacturers of fine jewellery. According to Governor Turnbull, four mainland jewellery manufacturers relocated to St. Croix in 2000 to take advantage of this federal incentive. The new industry is expected to create several hundred jobs in the coming years.

25. The industrial sector is dominated by the Hess Oil Refinery (St. Croix), one of the largest in the Western hemisphere, which employs 2,000 workers. In 1998, the Hess Oil Corporation formed a 50 per cent joint venture with Petróleos de Venezuela to own and operate the refinery. The new corporate entity was named Hovensa L.L.C. In the two months subsequent to the merger, total crude oil refined was 433,000 barrels per day, compared with 411,000 barrels per day in 1997. In February 2000, Hovensa announced the investment of $600 million in the construction of a new coke project (a plant that converts pitch, the least valuable portion of crude oil, into higher value products) on St. Croix. The Governor has reported that the new plant has since created close to 1,500 jobs and is generating millions of United States dollars in new economic activity.

3. Tourism

26. The tourism sector accounts for more than 60 per cent of the gross territorial product and employs around two thirds of the workforce. In his State of the Territory address, the Governor reported that 2000 had been a "banner year" for tourism, showing solid gains in both cruise and air visitor arrivals. According to the Bureau of Economic Research, cruise and air arrivals increased territory-wide to 2.5 million in 2000, a 25 per cent increase over 1999 figures. This growth includes a considerable increase in the number of cruise ships visiting St. Croix, where the Port Authority is now concentrating resources to augment berthing capacities. The boost to tourism is credited to be the result of the collaborative efforts of the Department of Tourism and its supporting network — the West Indian Company Limited, the Port Authority and partners in the private sector.

27. During the period under review, the media has reported controversy regarding the creation of a new tourism body.[14] In February 2001, the Governor vetoed an omnibus bill provision to create a semi-autonomous tourism authority, which would have replaced the existing Department of Tourism with a board of directors composed of six private sector representatives and three government officials with direct oversight over policies, advertising and spending. Instead, the Governor signed an executive order creating a Tourism Advisory Committee composed of eight private-sector members appointed by him and chaired by a Tourism Commissioner. In written explanation of his veto, the Governor stated that further study was required to judge the impact of a tourism authority on the Territory and that the current solution offered limited, structured involvement of the private sector. Also controversial was the Governor's approval of another provision in the omnibus bill, which had increased the hotel room occupancy tax from 8 to 10 per cent. After hoteliers described the increase as "devastating", the Governor met with them and agreed to delay its implementation. According to the President of the St. Thomas-St. John Hotel Association, the hoteliers hoped to work with the Government to agree on a date for the tax increase and to discuss the nature of public/private sector partnership in tourism.[15]

28. Regarding specific hotel investments, the Divi Carina Bay Hotel and its adjoining casino (the first on St. Croix), which opened in March 2000, was hailed by the media as a catalyst to revitalize the economy of St. Croix, which had been in recession since hurricane Hugo in 1989. Between March and December 2000, the casino's taxable gross revenue was reported at $10,844,057. According to press reports, locals currently account for only 59 per cent of the Casino's staff, largely because of the lack of trained card dealers from the Territory. The percentage must rise in the coming years to comply with the Virgin Islands Casino Laws and Regulations, which stipulate that, by the end of a casino's second and third years, local employees must make up 75 and 90 per cent of the workforce, respectively.[16]

C. Finance

1. Local financial services

29. According to the most recent information provided by the administering Power (see A/AC.109/2076, paras. 12 and 13), as of 1995 deposits in the eight major financial institutions operating in the Territory (Banco Popular, Bank of St. Croix, Chase Manhattan, Citibank, First Bank P.R., First Virgin Islands Federal Saving Bank, Bank of Nova Scotia and Virgin Islands Community Bank) exceeded $1.2 billion. Time deposits, primarily in non-United States banks, represented 25 per cent of the total. The banks offer a full range of personal and corporate financial services. All banks are regulated by the territorial Banking Board, headed by the Lieutenant Governor. United States banks operating in the Territory are also regulated and insured by United States law and institutions.

30. All types of insurance are available through insurance agents who represent major international insurance companies. The insurance industry is regulated by the Lieutenant Governor who serves as Insurance Commissioner.

2. International finance

31. A report issued in June 2000, by the Organisation for Economic Cooperation and Development (OECD) included the United States Virgin Islands in a list of 35 jurisdictions that met the technical criteria for being tax havens.[17] The OECD report listed the criteria for identifying tax havens as the following: having low or no taxes; lack of effective exchange of information on the tax regime; lack of transparency in tax matters; and facilitating "ring-fencing", the establishment of foreign entities without the need for a local substantive presence. According to press reports, the inclusion of the United States Virgin Islands on the list puzzled local financial authorities given that the Territory has an established tax system, provides for the exchange of tax information and is transparent in accordance with federal and local statutes and regulations. Regarding OECD concerns about "ring-fencing", it is pointed out in media reports that the United States Congress expressly gave the Territory authority to host "exempt companies" (foreign corporations that are exempt from federal and territorial income tax, but pay the local government an annual franchise tax), as part of the Tax Reform Act of 1984 and the implementation agreement in place in 1987.[18] In March 2001, OECD convened meetings with United States Virgin Island authorities to discuss the matter directly.

D. Transportation and communications

32. The Territory has five major docking facilities. South Shore (St. Croix) is located near the St. Croix airport and industrial park, and handles lift-on/lift-off and roll-on/roll-off vessels. Gallows Bay (St. Croix) has a combined berthing space of 700 feet and a small roll-on/roll-off ramp. Frederiksted's (St. Croix) 5,216-foot port can berth two large cruise ships and two mini-cruise ships simultaneously and can accommodate naval submarines. Crown Bay (St. Thomas) has three cruise ship docks operated by the Virgin Island Port Authority, a semi-autonomous government agency, as well as a 900-foot wharf that can accommodate roll-on/roll-off cargo and container and break-bulk operations. The West Indian Company bulkhead pier (St. Thomas) is privately operated, primarily for cruise ships. In September 1998, the new $9 million Molasses tanker pier was dedicated on the south shore of St. Croix. The facility can accommodate two long vessels simultaneously. Since then, cargo activity at the Molasses pier has increased and the Port Authority has plans to reacquire land adjacent to it for additional operating space.[19]

33. The Port Authority operates two international airports, Cyril E. King Airport on St. Thomas and Henry Rohlsen Airport on St. Croix. An expansion project for St. Croix's airport currently under way will include a new terminal and control tower and the lengthening of the runway from 7,600 to 10,000 feet. One wing of the new terminal was opened in October 2000 and terminal construction is expected to be completed by the end of 2001. The bulk of the project, estimated to cost around $55 million, is covered by federal grants. According to Governor Turnbull, once completed, the airport will have the capacity to provide turnaround jet service to Canada, the west coast of the United States, Western Europe and South America.

E. Utilities, water and sanitation

34. Electricity is thermally generated using imported fuels. The Water and Power Authority serves approximately 47,000 customers. Major generating facilities are located on St. Thomas and St. Croix, and

a standby facility is located on St. John. Transmission and distribution of power is typically 13,800 volts, 3 phase, 60 hertz throughout the Territory. In February 2001, the Authority broke ground at Krum Bay on St. Thomas for a $16.5 million power generating system. Scheduled to be operable by summer 2001, the system will be able to maintain peak power demand with the Authority's two largest units out of service.[20] According to the outgoing Executive Director, the main problem faced by the Authority is working out payment plans for government agencies to reduce their crippling debt for water and power services.

35. Owing to limited freshwater supplies, salt water is used extensively for non-domestic purposes, including fire fighting and sewerage. The Water and Power Authority desalinates water and collects rainwater for domestic use. A desalination plant on St. Thomas produces 4.45 million gallons per day. Wells, particularly on St. Croix, supply the remainder of the fresh water necessary. Owing to the high cost of water, average daily consumption is about 50 gallons per person per day, about one third the United States average.

36. The Territory's waste disposal systems are in urgent need of improvement. The Governor reports that landfills are overflowing, sewage systems are antiquated, breakdowns are frequent and the Territory increasingly violates federal environmental mandates, with heavy fines. The Federal Aviation Authority has ordered the existing landfill on St. Croix closed by December 2002 because of the threat that scavenging birds and dump fires cause to aviation at nearby Henry E. Rohlsen Airport. According to the Executive Director of the Port Authority, the Territory stands to lose millions of dollars in federal funds and to have the airport closed if the deadline is not met.[21] In the meantime, discussions continue between the Territorial Department of Public Works and the United States Environmental Protection Agency on the building of a new facility to dispose of the approximately 150,000 tons of garbage produced each year. The Agency is also concerned about the deficient sewage disposal system in the Territory, much of which, according to media reports, is inoperable or on the verge of collapse and frequently results in untreated waste water being released into the Caribbean Sea. After many delays, construction has begun on a plant at Mangrove Lagoon to replace smaller outdated plants on the east end of St. Thomas.[22] Discussions are under way to create a new waste management authority as an independent body with assured revenue and enforcement powers.

V. Military issues

37. According to the most recent information provided by the administering Power (see A/AC.109/2014, para. 19), the United States Navy maintains a radar and sonar calibration station and a headquarters building for its underwater tracking facility. There are permanent recruitment centres for the armed forces and a detachment of the United States Coast Guard on St. Thomas. The Virgin Islands National Guard is affiliated with the United States Army. The Territory remains a port of call for United States naval vessels and those of its allies.

VI. Social conditions

A. Labour

38. Employers in the United States Virgin Islands must follow federal and territorial labour laws, such as minimum wage and hours, standards of safety and occupational health and payment of social security and unemployment insurance. The Territory has an insurance programme for the unemployed. Paying into the programme are 3,400 federal, local and private employers. The money is deposited into the United States Treasury at the federal level. Private employers paid $8.7 million in 1996 and $7.7 million in 1997. In 1996, 11,000 claimants received $11.5 million in benefits and in 1997, 7,300 claimants received $6.7 million in benefits. An external federal audit by a United States Inspector General in 1999 found $18.7 million in unrealized revenues and $408,200 in unsupported costs.

39. According to the most recent information provided by the administering Power, following a record decline in 1996, the labour market improved slightly in 1997, when employment increased by 9 per cent to 43,453. The largest employer in the Territory remains the Government, accounting for about 12 per cent of the total population, while a large number of other employees are paid under government contracts and federal government grants. In 1997, the federal and local governments combined accounted for 13,800 jobs, approximately one third of all civilian

employment in the Territory. As part of the 1999 agreement with the Department of the Interior to reverse the Territory's severe public finance problems, the government payroll was to be cut by 5 per cent per year for five years. In the first year, the Governor announced that employment in the executive branch had been reduced from 12,000 to 10,200 workers. Simultaneously, in his State of the Territory address, he stressed the Government's pledge to create 1,500 new jobs in the financial, commercial and e-commerce area within the next two years, with a particular focus on St. Croix.

40. In addition, the Governor acknowledged the existence of a number of serious and complex labour disputes, which he described as being primarily the result of many years of fiscal recklessness in which administrations had negotiated collective bargaining agreements well beyond the Government's ability to pay. He reported that the Office of Collective Bargaining was working to resolve some of those disputes and would be working through a technical assistance grant from the United States Department of the Interior.

B. Education

41. Education is compulsory and free for all children between 5 and a half and 16 years of age. The territorial Department of Education administers 32 schools on St. Thomas, 14 on St. Croix and 2 on St. John. As of 1994, total enrolment amounted to 29,730, of which 22,126 attended public and 6,604 attended private schools. According to the administering Power, maintenance of the physical facilities is poor and vandalism is a constant problem. According to Education Department data published by the media in March 2001, the drop-out rate for students in grades 7 to 12 had doubled in the past 10 years, from 2.21 per cent in 1990 to 5.16 per cent in 2000.[23]

42. The University of the Virgin Islands has campuses on St. Thomas and St. Croix and provides courses in business administration, the humanities, social sciences and teacher education, and occupational courses in accounting, business management, secretarial administration, nursing, police science and administration.

43. The Governor announced in his State of the Territory address in January 2001 that during the past year the Department of Education had been severely challenged by financial constraints, widespread physical plant problems, teacher shortages, job actions and lack of supplies. Despite the financial problems, the Governor reported that much had been done to expand the curriculum and repair schools. The Federal Emergency Management Agency had funded over $7 million worth of hazard mitigation seismic upgrades at schools on St. Thomas and St. Croix. A further $6 million had been spent on repairs to long neglected public schools on St. Croix and $3 million on repairs in the St. Thomas-St. John school district. A new contract agreement being finalized with the American Federation of Teachers would give teachers their first salary raise in seven years and, for the first time in a decade, the Government and the Federation had ratified a successor collective bargaining agreement. During 2000, the territorial Department of Education had been operating under special conditions imposed by the federal Government as a result of years of mismanagement of federal funds. However the Department was current in its reports to the federal authorities and was well on the way to having these special conditions revoked. The Governor also highlighted the fact that in 2000 the University of the Virgin Islands had secured almost $16 million in federal and local grants, aid and gifts, which had been reflected in the achievements of faculty and staff. The University had also inaugurated a sports and fitness centre on the St. Thomas campus, which was the single largest indoor sports facility in the Territory.

44. At the time of writing, the Public Education Act of 2000 was pending approval by the twenty-fourth Legislature. If enacted, it would transfer governance from the Department of Education to the Board of Education. According to media reports, members of the Board held town hall meetings in February 2001 to discuss how transferring control of public schools to a new body would solve the many problems facing the system and how the Board would raise the necessary funding.[24]

C. Public health

45. The Roy L. Schneider Hospital on St. Thomas offers general service and has 169 beds. The Governor Juan F. Luis Hospital on St. Croix has 120 beds. There is also a 16-bed private hospital on St. Croix. In early 2000, the Territory's Delegate to the United States

Congress reported that many of the health-care facilities were in need of renovation or reconstruction, there was no existing comprehensive health-care planning and there continued to be unserved communities, especially in Hispanic and other newly immigrated populations, where outreach was needed.

46. While overall responsibility for health centres is held by the Department of Health, legislation enacted in 2000 created semi-autonomous administration for the major hospitals. Members of the territorial Senate Committee on Health and Hospitals met with hospital administrators in February 2001 prior to Senate hearings on the matter and reported that the first year of semi-autonomy had had very positive results.[25] In January 2001, Governor Turnbull reported that as a result of the new semi-autonomous administration, significant strides had been made in improving health-care facilities. By streamlining the hiring process, the hospitals had been able to bring new specialists on board. Tobacco settlement bonds had been used to establish a new cardiac laboratory on St. Croix and a cancer centre on St. Thomas and a new behavioural health unit had also been set up on St. Thomas. Capital improvement had been made a priority: the renovation of the Queen Louise Home for the Aged had allowed the Department to regain use of the Elda Schultenbrandt Mental Health Facility. The United States Department of the Interior had agreed to reprogramme funds to be used for the long-awaited renovation of the Charles Harwood Complex on St. Croix. Similarly, in keeping with the upgrading of services, the Department of Health had completed 85 per cent of the HealthPro computer system installation to enhance patient registration, record keeping and billing for public health services. The Department had also begun planning for a government health plan for the Territory. Another major initiative under way was to work with Legislature and the Congressional delegate to raise Medicaid funds received from Washington, D.C.

47. In 1999, for the first time, the Territory was the recipient of federal Department of Health and Human Services grants to improve access to support services and medication for the human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS). The Territory received $624,935 in such grants. A total of 470 AIDS cases had been reported in the Territory by June 2000. The number of new cases reported between July 1999 to June 2000 was 45, up from 33 in the previous year.[26] In April 2000, the Department earmarked a total of $667,110 in grants for the United States Virgin Islands to provide care to low-income, uninsured persons affected by the epidemic as well as financial assistance to purchase HIV medications. In 2001, the Governor reported in his State of the Territory address that a federal grant had been received for the development of an HIV/AIDS/sexually transmitted diseases clearing house with a web site for easy access to pertinent information.

D. Human rights and related issues

48. More than 3,000 Black farmers from the United States Virgin Islands submitted a class action lawsuit against the United States Department of Agriculture in 1997, alleging that it discriminated against Black farmers in its disbursement of loans. In January 1999, the Department settled the suit in favour of the farmers, agreeing to provide monetary compensation. In the same month, a local company, HAP Construction Company, sued the Army Corps of Engineers, the Defense Department and the Federal Emergency Management Agency, alleging racial discrimination in the award of a contract to clear debris left by hurricane Marilyn. In January 2000, residents of St. Croix joined a broad class action suit against the United States Department of Agriculture, alleging systematic discriminatory practices by its Rural Development Office against Blacks and Hispanics who tried to participate in its housing loans and grants programmes.

E. Crime and crime prevention

49. High crime rates are a matter of concern in the United States Virgin Islands. By United States standards, the Territory has one of the highest per capita murder rates, an issue which the Government has acknowledged undermines efforts to increase tourism and improve the economy. In January 2000, Governor Turnbull announced improvements in police facilities and, by maximizing federal funds, an increase of 30 police officers by the end of the fiscal year. Six months later, the Police Commissioner reported the solving of several major crimes as well as increased cooperation between the public and the law enforcement agency.[27] In his State of the Territory address in January 2001, the Governor reported statistics showing that major crime had diminished

during 2000: robberies had decreased by 13.4 per cent, burglaries by 20 per cent, rapes by 8 per cent, homicides by 18.5 per cent, assaults by 12 per cent, vehicle theft by 18.6 per cent, grand larceny by 9.5 per cent and arson by 23.6 per cent. On the other hand, there continued to be all too numerous reports of domestic violence and child abuse. The overall decline in crime was due primarily to improvements in the Police Department, namely, an increase in recruits, the repair and purchase of vehicles, the acquisition of bulletproof vests and a special appropriation of $1.25 million for technological equipment. In addition, major renovations were under way at the Alexander Farrelly Justice Complex on St. Thomas, the Patrick Sweeny Complex on St. Croix and the Leander Jurgen Complex on St. John.

50. An Adult Correctional Facility is located on St. Croix. In March 1999, a United States federal court ordered the local government to relieve overcrowding at local prisons. At that time, the current prison population in the Territory was 308. In addition, 192 inmates were incarcerated in off-island prisons to reduce overcrowding. In February 2001, a $26 million expansion of the Golden Grove Prison was completed, allowing for the return of 146 inmates who had been housed on the United States mainland. According to the Attorney General, negotiations continued with the Commonwealth of Virginia to house the more notorious criminals there. Along with the return of the majority of the prisoners, the Attorney General hoped that there would come forgiveness of a $9.7 million debt to the Federal Bureau of Prisons.[28]

51. According to government and police authorities the transit of illegal drugs through the Territory is a root cause of much of the crime. In 1994, the Office of National Drug Control Policy designated the United States Virgin Islands, along with Puerto Rico, a high intensity drug trafficking area as they were recognized as major drug trans-shipment points between South America and the United States. Since 1994, the United States Virgin Islands and Puerto Rico have been receiving approximately $9 million combined in extra funding to reduce the flow of drugs.

VII. Environment

A. Protection of natural resources

52. According to the Environmental Protection Agency's Region 2 state of the environment report (1998), the ecosystem of Caribbean islands faces threats not only from natural disasters such as hurricanes, but also from human impacts such as improperly treated sewage, extensive land conversion and deforestation, over-fishing and tourism-related activities. Conversely, protecting the ecosystems is important if economy-generating tourism is to be maintained. The Caribbean Environmental Protection Division of the Agency has an office on St. Thomas through which it works with both federal and local agencies to address chronic problems such as ecosystem loss and improper landfill spaces, as well as the catastrophic effects of hurricanes. Disposal of solid waste and sewage pose serious environmental problems in the United States Virgin Islands (see para. 36). In addition, reefs such as those near Salt River Bay in St. Croix depend on mangroves and sea grass colonies along the coast for protection against runoff.

53. In a recent development, former President Clinton signed a proclamation days before he left office in January 2001, creating the new Virgin Islands Coral Reef National Monument in submerged lands off St. John. The designation furthered the protection of the Virgin Islands National Park created in 1956 and expanded in 1962.[29] The Monument covers 12,000 acres off St. John and also increases Buck Island Reef National Monument off St. Croix from 900 acres to some 18,000 acres. According to press reports, the measure has been controversial in the Territory, primarily among commercial fishermen who claim their livelihood will be affected. In February 2001, the Governor and the Delegate to Congress held talks with the Secretary of the Interior in Washington, D.C., to press for action to lessen the impact of the measure and to clarify the jurisdictional matter of ownership of the underwater area.[30]

B. Disaster preparedness

54. The United States Virgin Islands faces recurrent hurricanes and flooding in addition to being located within an earthquake risk zone. The Federal Emergency Management Agency provides programmes

of mitigation, preparedness, response and recovery in the Territory through the Virgin Islands Territorial Emergency Management Agency.[31] Nonetheless, the costs of the repairs of combined damages to homes, businesses, utilities and commercial buildings caused by hurricanes Hugo (1989), Marilyn (1995), Georges (1998) and Lenny (1999) continues to cause fiscal and financial problems in the Territory, despite federal assistance through grants and loans and close to $500 million distributed by the Federal Emergency Management Agency between 1995 and 2000. The territorial Government is currently negotiating the relief of federal loans covering hurricanes Hugo and Marilyn. In June 2000, just as the hurricane season was beginning, the United States Senate Government Operations Committee approved a bill providing for the United States Virgin Islands to join the nation's Emergency Management Assistance Compact. This gives each member access to assistance from other member States or Territories in the event of disasters, in addition to the assistance provided by the Federal Emergency Management Agency. Because of the increase in seismic activity in the region, the Virgin Islands Territorial Emergency Management Agency designated March 2001 as Earthquake Awareness Month and organized public forums to alert residents of the United States Virgin Islands to the risks involved.[32]

VIII. Future status of the Territory

55. No significant action on the political status of the Territory has been taken since a referendum was held in 1993. In that ballot, only 27.4 per cent of registered voters voted on the question (of which 80.3 per cent supported the existing status, 14.2 per cent voted for full integration with the United States and 4.8 per cent voted for an end to United States sovereignty). The result was considered invalid as less than the requisite 50 per cent of the electorate voted.

A. Position of the territorial Government

56. Speaking before the Fourth Committee of the General Assembly on 27 September 2000, the representative of the Government of the United States Virgin Islands[33] said that the agenda item under consideration (implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples by the specialized agencies) was of special importance for the Non-Self-Governing-Territories, since it provided legislative authority for assistance from the United Nations and served as the basis for direct participation of the Territories as members or observers in the work of various United Nations bodies. Although both the General Assembly and the Economic and Social Council had been considering the item for many years, much remained to be done. Many specialized agencies had made the necessary adjustments to their membership criteria, but the number of Territories permitted to participate directly in the programmes of those and other bodies remained insufficient. In order to provide more effective assistance in the economic and social development of the Territories, the name of the agenda item should be modified or a second item on assistance to the small Territories should be introduced. Such assistance must be viewed as critical to the preparation of those countries for full and absolute political equality and participation in the rapidly accelerating process of economic globalization.

57. One of the most successful examples of such participation was the extension to the small island Non-Self-Governing Territories of associate membership in regional economic commissions. Seven Caribbean Territories enjoyed that status with the Economic Commission for Latin America and the Caribbean (ECLAC), which enabled them to participate in various world conferences of the United Nations. The United Nations Development Programme and the United Nations Population Fund provided financial and other assistance to facilitate the participation of many of the Territories in such conferences. Recent decisions of the General Assembly and the Economic and Social Council likewise promoted more active involvement of the Territories in the work of the United Nations, as did the ECLAC resolution designed to include associate members of regional commissions in the work of the Council. In conclusion, he called upon the agencies concerned to become more actively involved in promoting participation and thereby to assist the Non-Self-Governing Territories in the sustainable development process, a critical component of successful self-determination.

B. Position of the administering Power

58. In a statement made to the Fourth Committee during the fifty-fifth session of the General

Assembly,[34] on 25 September 2000, a representative of the United States said that although his country continued to believe that the standards applied in General Assembly resolutions (1514 (XV) and 1541 (XV)) were too narrow, it offered its full support to countries that chose independence. For Territories that did not choose independence, the United States fully supported the right of the peoples of those Non-Self-Governing Territories to a full measure of self-government, if that was what they chose. His country did not believe that a single standard of decolonization applied to every Territory.

59. At the close of the International Decade for the Eradication of Colonialism, tremendous political, economic and social progress was occurring in the lives of the peoples of the Self-Governing Territories. For the United States Virgin Islands, the term "non-self-governing" was of questionable applicability to those who had been able to establish their own constitution, elect their own public officers, to have representation in Washington, D.C., and to choose their own economic path.

60. The mere presence of outside economic and military interests in Non-Self-Governing Territories was not detrimental to the interests of such Territories or their peoples. On the contrary, such relationships formed the basis of partnership between individual regions and the outside world. Investment and economic activity did not necessarily constitute an obstacle to independence. His country's hope for the coming year was that the Special Committee would focus its efforts on the Territories included in the list of Non-Self-Governing Territories and not be side-tracked by other issues.

C. Action by the General Assembly

61. On 8 December 2000, the General Assembly adopted, without a vote, resolution 55/144, section XI of which concerns the United States Virgin Islands. In the resolution, the Assembly, inter alia, requested the administering Power, bearing in mind the views of the people of the Territory ascertained through a democratic process, to keep the Secretary-General informed of the wishes and aspirations of the people regarding their future political status; to continue to assist the territorial Government in achieving its political, economic and social goals; and to facilitate the participation of the Territory, as appropriate, in various organizations, in particular the Organization of Eastern Caribbean States, the Caribbean Community and the Association of Caribbean States. The Assembly expressed concern that the Territory, which was already heavily indebted, had had to borrow $21 million from a commercial bank to carry out its year 2000 computer compliance programme, and called for the United Nations year 2000 programme to be made available to the Non-Self-Governing Territories. It noted that the general elections held in the Territory in November 1998 had resulted in an orderly transfer of power. The Assembly expressed concern that the territorial Government was facing severe fiscal problems, which had resulted in an accumulated debt of more than one billion United States dollars, welcomed the measures being taken by the newly elected territorial Government in addressing the fiscal crisis, including the adoption of a five-year operating and strategic financial plan and called upon the administering Power to provide every assistance required to alleviate the crisis, including the provision of appropriate debt relief and loans. Finally, the Assembly noted that the 1994 report of the Territory's Commission on Status and Federal Relations had concluded that, owing to the insufficient level of voter participation, the results of the 1993 referendum had been declared null and void.

Notes

[1] The information contained in the present working paper was derived from information transmitted to the Secretary-General by the Government of the United States of America as well as from published sources.

[2] United States Department of the Interior, Office of Insular Affairs, *A Report on the State of the Islands, 1999* (see www.doi.gov/oia/pdf/islands.pdf).

[3] www.cache.census.gov.

[4] Information from the Office of the United States Virgin Islands Delegate to Congress.

[5] Congressional records, accessed at http://thomas.loc.gov.

[6] Accessed at www.vivote.com.

[7] *St. Thomas Source*, 16 March 2001.

[8] VI Daily Net, 7 November 2000.

[9] Accessed at www.usvi.org.

[10] *St. Thomas Source*, 17 January 2001.

[11] *Virgin Islands Daily News*, 2 February 2001.

[12] Accessed at www.usvi.org.

[13] *Virgin Islands Daily News* and *St. Thomas Source*, 2 February 2001.

[14] *St. Thomas Source*, 2 February 2001, and *Virgin Islands Daily News*, 6 February 2001.

[15] *St. Thomas Source*, 20 February 2001.

[16] *Virgin Islands Daily News*, 22 February 2001.

[17] OECD, Progress in Identifying and Eliminating Harmful Tax Practices, June 2000.

[18] *St. Thomas Source*, 26 June 2000.

[19] *Virgin Islands Daily News*, 22 February 2001.

[20] *St. Thomas Source*, 22 February 2001.

[21] Ibid., 22 March 2001.

[22] Ibid., 13 March 2001.

[23] *Virgin Islands Daily News*, 13 March 2001.

[24] Ibid., 21 and 22 February 2001.

[25] Ibid., 14 February 2001.

[26] Centers for Disease Control and Prevention, accessed at www.cdc.gov/hiv/stats.

[27] *St. Thomas Source*, 12 July 2000.

[28] Ibid., 2 February 2001.

[29] White House Press Office, 17 January 2001.

[30] *St. Thomas Source*, 1 and 15 March 2001, and *Virgin Islands Daily News*, 12 March 2001.

[31] Accessed at www.fema.gov/Reg-II.

[32] *Virgin Islands Daily News*, 14 and 16 February 2001.

[33] A/C.4/55/SR.5.

[34] A/C.4/55/SR.3.